DATE FILED: November 28, 2016 2:45 PM
FILING ID: 29E6991DD5EF6
CASE NUMBER: 2016CV31094

DISTRICT COURT, LARIMER COUNTY 201 LaPorte Avenue, Suite 100 Fort Collins, Colorado 80521	
STATE OF COLORADO *ex rel.* CYNTHIA H. COFFMAN, ATTORNEY GENERAL FOR THE STATE OF COLORADO, Plaintiff, v. KAREN P. KEALY, an individual; SUMMIT LEGAL CONSULTANTS, PLLC, a foreign entity; and SUMMIT LAW GROUP, PLLC, d/b/a SUMMIT LEGAL CONSULTANTS, a foreign entity, Defendants.	▲ **COURT USE ONLY** ▲
CYNTHIA H. COFFMAN, Attorney General JENNIFER H. HUNT, Reg. No. 29964* First Assistant Attorney General ERIK R. NEUSCH, Reg. No. 33146* Senior Assistant Attorney General MARK L. BOEHMER, Reg. No. 40352* Assistant Attorney General Colorado Attorney General's Office Ralph L. Carr Colorado Judicial Center 1300 Broadway Denver, Colorado 80203 Telephone: 720-508-6229 *Counsel of Record	Case No.: Courtroom:
COMPLAINT	

Plaintiff, the State of Colorado, by and through Cynthia H. Coffman, Attorney General for the State of Colorado, through counsel of record, states and alleges against Defendants the following:

INTRODUCTION

1. This is a civil law enforcement action by the State of Colorado ("Plaintiff" or "the State") pursuant to the Colorado Consumer Protection Act, §§ 6-1-101–115, C.R.S. (2016) ("CCPA"), brought to enjoin Karen P. Kealy, Summit

Legal Consultants, PLLC, and Summit Law Group, PLLC, d/b/a Summit Legal Consultants (collectively, "Defendants"), from engaging in deceptive trade practices, to recover statutory penalties, obtain restitution, disgorge unjust proceeds, and recover attorney fees and costs.

2. Defendants professed to offer legal services to distressed homeowners facing foreclosure, touting their status as a "law firm" with specialized "legal expertise" as reason to believe that Defendants could successfully negotiate loan modifications where individual homeowners could not. Upon collecting significant "retainer fees," however, Defendants used non-attorney "processors" rather than lawyers to complete any work, did not perform "legal negotiations" with lenders as promised, failed to maintain contact with homeowners or their mortgage servicers, frequently lost documents (requiring homeowners to send information multiple times), and failed to respond to homeowners' questions, complaints, and requests for refunds. In the end, many homeowners did not obtain loan modifications as promised, and lost their homes in foreclosure despite paying Defendants thousands of dollars. Defendants' conduct cost already distressed homeowners hundreds of thousands of dollars and violated CCPA §§ 6-1-105(e), (i), and (u).

3. Defendants at all relevant times operated their scheme from Colorado and targeted consumers inside and outside Colorado.

LEGAL AUTHORITY AND PARTIES

4. The CCPA is a remedial statute intended to deter and punish deceptive trade practices committed by businesses in dealing with the public. *Showpiece Homes Corp. v. Assurance Co. of Am.*, 38 P.3d 47, 50–51 (Colo. 2001). The statute's broad purpose is "to provide prompt, economical, and readily available remedies against consumer fraud." *Id.* at 51 (quoting *W. Food Plan, Inc. v. Dist. Court*, 598 P.2d 1038, 1041 (Colo. 1979)).

5. Cynthia H. Coffman is the duly elected Attorney General of the State of Colorado and is authorized under C.R.S. § 6-1-103 to enforce the CCPA and to bring an action against any person for engaging in deceptive trade practices. The State may seek injunctive relief to prohibit the person from violating the CCPA, as well as obtain disgorgement of unjust proceeds, civil penalties, restitution, and attorney fees and costs. C.R.S. §§ 6-1-110, -112, & -113.

6. Defendant Karen Patricia Kealy ("Kealy") is an individual residing at 706 Laurel Hill Court, Loveland, Colorado 80537. Kealy was at all times relevant to this Complaint an owner, managing member, and principal of Summit. She is personally liable under the CCPA by approving, directing, participating, or cooperating in the Summit entities' conduct.

7. Defendant Summit Law Group, PLLC is a foreign limited liability company organized and formed in Texas and registered in Colorado as a foreign entity with the Colorado Secretary of State on February 5, 2013. Summit Law Group has or had a principal place of business at 2114 North Lincoln Avenue, Suite 206, Loveland, Colorado 80538. On July 7, 2014, Summit Law Group registered with the Colorado Secretary of State the trade name Summit Legal Consultants. Summit Law Group's status with the Colorado Secretary of State is noncompliant.

8. Defendant Summit Legal Consultants, PLLC is a foreign limited liability company organized and formed in Texas and registered in Colorado as a foreign entity with the Colorado Secretary of State on April 5, 2013. Summit Legal Consultants has or had a principal place of business at 2114 North Lincoln Avenue, Suite 206, Loveland, Colorado 80538. On July 1, 2016, Kealy filed with the Colorado Secretary of State a statement of foreign entity withdrawal.

JURISDICTION AND VENUE

9. This Court has jurisdiction to enforce the CCPA in actions by the Attorney General under §§ 6-1-103, -110, & -112.

10. Kealy orchestrated and operated Summit Legal Consultants, PLLC, and Summit Law Group, PLLC, d/b/a Summit Legal Consultants (collectively, "Summit"), at all relevant times from Colorado.

11. Under CCPA § 6-1-103, venue is proper in Larimer County because it is the place where an alleged deceptive trade practice occurred or where any portion of a transaction involving an alleged deceptive trade practice occurred. Venue is also proper in Larimer County because it is the county where the principal place of business of any defendant is located and where any defendant resides.

PUBLIC INTEREST

12. Through the deceptive trade practices of their businesses, vocations, or occupations, Defendants have defrauded hundreds of homeowners in Colorado and other states through false and misleading statements and advertisements.

13. The deceptive trade practices have harmed homeowners who believed that they were paying for and receiving assistance from experienced attorneys, relied on that assistance, and may have lost their home by not pursuing legitimate avenues of assistance.

14. Accordingly, these legal proceedings are in the public interest.

GENERAL ALLEGATIONS

15. Beginning in or around May 2013 and through in or around April 2016, Defendant Kealy, through Summit, deceived distressed homeowners facing foreclosure with false statements and advertisements relating to purported legal services in negotiating mortgage assistance relief. Defendants solicited consumers in two primary ways: (1) publishing a website; and (2) sending thousands of mailers to homeowners across the country each week.

16. The Summit website, active from at least late 2013 to April 2016 and located at http://summitlegalconsultants.com, contained numerous representations regarding the importance of having an attorney negotiating loan modifications on a homeowner's behalf. For example, the website stated, "knowing how to go about modifying your home loan can be difficult, and in a negotiation this important, you need an experienced attorney on your side." (Emphasis added). It further explained that,

> in order to get the best possible outcome, it is extremely valuable to have the negotiating skill and knowledge of the banking business that the dedicated Denver loan modification lawyers at Summit Legal Consultants bring to the table. In addition to having the skills you need to get the optimal resolution to your loan modification request, Summit Legal places a strong emphasis on personal attention and is dedicated to the needs of each individual client.

(Emphasis added.)

17. Consumers in Colorado and elsewhere could access this website and view these representations throughout the time period alleged in this Complaint.

18. In addition to the website, Summit also sent hundreds of thousands of mailers soliciting homeowners to call a telephone number in order to receive "important information" regarding their loans. Summit used different versions of this mailer throughout the relevant time period.

19. Summit sent one version of this mailer beginning in approximately February 2015 to roughly 10,000 – 20,000 homeowners per week, captioned, "EMERGENCY MORTGAGE RELIEF, REGARDING: 12 U.S. Code, Chapter 28, Must Respond Within 30 Days." Defendant Kealy personally reviewed this mailer, was aware that the mailer was being sent to consumers on Summit's behalf, and

knew that a consumer calling the phone number listed on the mailer would frequently reach a Summit representative.

20. The mailer continued: "Important Information Regarding Your Loan. . . . We are pleased to inform you that you are pre-qualified and eligible for mortgage assistance. There is an option for you to save your home. Take advantage of your rights and call for further guidance. Your balance may be reduced, please call for details (866) 866-7188." (Emphasis added.) It was signed by the "Home Retention Department."

21. The mailer's representation that the homeowner was "pre-qualified and eligible for mortgage assistance" was deceptive and designed to induce potential customers into calling the phone number printed on the mailer. In reality, as Defendant Kealy herself stated, "a lot of people weren't eligible."

22. The mailer also set forth the homeowner's name, as well as the homeowner's mortgage lender, original principal loan balance, "potential" new balance, and "potential" new monthly payment. These "potential" terms were based on a 30% principal reduction, a 40-year payment term, and a 2% interest rate—terms which were exceedingly rare for any homeowner to obtain.

23. Homeowners who received the mailer and called the number listed on the mailer would then speak to a Summit salesperson based in California. These salespeople were either contracted-for or employed by Defendant Kealy, who supervised them in conjunction with her office manager Robert Gamboa. The Summit salespersons were paid entirely on commission, based on the number of clients they successfully brought into Summit.

24. On these sales calls and in other communications with homeowners, Summit representatives emphasized Summit's status as a "law firm," representing that the law firm's "legal expertise" allowed it to succeed in obtaining loan modifications where individual consumers could not.

25. At times, Summit representatives made specific representations to homeowners regarding the amount it would be able to reduce homeowners' monthly payments, and told consumers that Summit would "not take [the consumer] on unless we felt you had a very strong case." Homeowners relied on these representations, which were often false, in making the determination whether to become a Summit client and to pay thousands of dollars in "retainer fees."

26. Once homeowners agreed to use Summit's services, Summit would ostensibly assign the homeowner to a "local attorney" licensed in the state where the homeowner was located. Summit did not employ these local attorneys, but

rather hired them through forums such as Craigslist and paid them on a per-task basis. Homeowners had no choice in the selection of any local attorney.

27. Summit postured itself as the mere "back office" for these local attorneys, who were purportedly responsible for doing the "legal work" on homeowners' files. In reality, however, these local attorneys did little to no work on homeowners' files beyond the "initial consultation," which took place by telephone and was merely an initial review or discussion of the file. Instead, the cases were handled almost entirely by non-attorney "processors" based in Summit's California office, supervised and directed from Colorado by Kealy.

28. One example of this dynamic was Summit's presentation of a "retainer agreement" to homeowners. Upon obtaining a new homeowner client, Summit would send the homeowner a "retainer agreement" identifying Summit Legal Consultants as the "law firm," and making clear references to the "legal" nature of Summit's services. The retainer included language such as:

> "Dear Client, we are honored that you have chosen our firm, Summit Legal Consultants, ("SLC"), to represent you in the capacity described in this letter. We are dedicated to assisting borrowers in finding alternatives to foreclosure and the loss of their home."
>
> "Please read this engagement letter carefully, it includes an important legal notice, fee agreement, and explanation of the scope of the Attorney-Client relationship."
>
> "Scope of Engagement: We understand that you are currently engaging us to advise you solely in connection with negotiating a possible mitigation of your current home loan situation."
>
> "Client Duties and Representation: Client represents that client is unable to meet Client's monthly mortgage payment and other debts and bills due to financial hardship and Client is in need of legal representation and wishes to retain Attorney's services."
>
> "Flat Fee Agreement: Our standard hourly attorney rate is $450 per hour for Partners and $350 per hour for Associates; however, we have agreed to charge you a flat fee as set forth on Exhibits A1 – A3 for the services described in this letter."

29. Exhibit A-1 to the retainer agreement contained a fee schedule listing the services that would be provided at each "stage" of representation. At the conclusion of each separate "set" of services, the retainer agreement set forth how much the homeowner would pay the "attorney": "Upon completion of these services, Attorney shall then be paid the amount of $_____." (Emphasis added.)

30. The local attorneys were not signatories to the retainer agreements, nor did they have any role in drafting or reviewing these agreements with clients. Instead, the provision and review of these retainer agreements with clients was completed entirely by non-attorney Summit representatives.

31. In addition, it was a Summit representative—not the local attorney—who determined how much a homeowner would pay for Summit's services (typically over $1,000 per month for a period of 3 months) and the schedule on which they would pay, based on a matrix designed by Kealy. No local attorney was involved in this process or had any input into how much clients would pay or the fee schedule on which they would pay it.

32. No portion of homeowners' payments—which were typically thousands of dollars—even went to their local attorneys. Instead, the payments went to Summit. Kealy would then decide how much to pay the local attorney, frequently paying them only $50 or $100 for the "initial consultation" with the client and no more.

33. Homeowners who signed the retainer agreement frequently also signed a document presented to them by Summit authorizing Summit to automatically withdraw payments directly from their bank accounts, thereby ensuring payment to Summit on a routine basis.

34. Once the homeowner executed the retainer agreement, the homeowner was assigned a non-attorney Summit "processor" who would act as the homeowner's point of contact. Many homeowners were assigned to multiple processors during the course of their contracts with Summit.

35. The processor's role was to gather paperwork from the homeowner and provide it to the lender for the homeowner. This was a non-legal task that homeowners could do themselves, and a marked contrast to Summit's representation that homeowners were hiring Summit (and paying thousands in retainer fees) for its "legal expertise" in "negotiating" loan modifications with lenders. These were not "legal negotiations" as promised, and attorneys had no role in the process.

36. Moreover, many processors lost paperwork, requiring homeowners to

send the same documents again and again, wasting critical time as homeowners approached foreclosure. Homeowners also had to repeatedly send in the same documentation many times as a result of being assigned to multiple processors through the duration of their relationships with Summit.

37. Homeowners would frequently receive silence or no useful information when they contacted Summit about the status of these purported "legal negotiations." Homeowners who sought refunds were frequently ignored.

38. In the end, many homeowners did not obtain loan modifications and lost their homes in foreclosure despite paying Summit thousands of dollars. As explained by one homeowner:

> They asked me many questions and told me this was a done deal and if it was not going to work they would not take it on. . . . During the modification I was passed around to several different processors. They did not keep in touch or keep me up to date. I sent many emails and basically never got a response. In the end they took $3,500 from me, my modification was turned down and my home was lost to foreclosure.

39. When Kealy and Summit received an investigative subpoena from the Attorney General in March 2016, Summit immediately shut down its business.

40. Kealy and Summit's conduct, as outlined above, violated §§ 6-1-105(1)(e), (i), and (u) of the CCPA by (1) making false representations as to the characteristics, uses, and benefits of services, (2) advertising services with intent not to sell them as advertised, and (3) failing to disclose material information regarding services, which was known at the time of sale, with the intent to induce consumers into a transaction.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

(Knowingly makes a false representation as to the characteristics, uses, and benefits of services in violation of C.R.S. § 6-1-105(1)(e))
(All Defendants)

41. Plaintiff incorporates herein by reference all of the allegations contained in the foregoing paragraphs of this Complaint.

42. As set forth in detail above, Defendants knowingly made false representations as to the characteristics, uses, and benefits of services by, among

other things, advertising and claiming that Summit would provide legal services in connection with mortgage assistance relief services, advertising that Summit would use attorneys to negotiate loan modifications and to stop foreclosures from occurring, and leading consumers to believe that they would obtain loan modifications on extremely favorable terms.

43. Through the conduct set forth in this Complaint in the course of their business, vocation, or occupation, Defendants violated C.R.S. § 6-1-105(1)(e).

SECOND CLAIM FOR RELIEF

(Advertises services with intent not to sell them as advertised in violation of C.R.S. § 6-1-105(1)(i))

(All Defendants)

44. Plaintiff incorporates herein by reference all of the allegations contained in the foregoing paragraphs of this Complaint.

45. As set forth in detail above, Defendants advertised services with intent not to sell them as advertised by, among other things, advertising and claiming that Summit would provide legal services in connection with mortgage assistance relief services, advertising that it would use attorneys to negotiate loan modifications and stop foreclosures from occurring, and representing to homeowners that it would obtain loan modifications on extremely favorable terms.

46. Through the conduct set forth in this Complaint in the course of their business, vocation, or occupation, Defendants violated C.R.S. § 6-1-105(1)(i).

THIRD CLAIM FOR RELIEF

(Failure to disclose material information concerning services which information was known at the time of an advertisement or sale if such failure to disclose such information was intended to induce the consumer to enter a transaction in violation of C.R.S. § 6-1-105(1)(u))

(All Defendants)

47. Plaintiff incorporates herein by reference all of the allegations contained in the foregoing paragraphs of this Complaint.

48. As set forth in detail above, Defendants failed to disclose material information concerning services which information was known at the time of an advertisement or sale by failing to disclose, among other things, that any work done on Summit files was completed almost entirely by non-attorney processors, that attorneys would have little to no role in negotiating with mortgage lenders on homeowners' behalves, and that homeowners were unlikely to obtain modifications

on the terms advertised by Summit.

49. Summit's failure to disclose this information was intended to induce homeowners into becoming Summit customers and paying thousands of dollars to Summit in "retainer fees."

50. Through the conduct set forth in this Complaint in the course of their business, vocation, or occupation, Defendants violated C.R.S. § 6-1-105(1)(u).

RELIEF REQUESTED

WHEREFORE, Plaintiff requests that the Defendants, including Defendant Karen Kealy individually and personally, be enjoined and restrained from doing any of the wrongful acts referenced in this Complaint or any other act in violation of the Colorado Consumer Protection Act, C.R.S. §§ 6-1-101 – 6-1-115.

In addition, Plaintiff requests a judgment against the Defendants, personally, jointly and severally, for the following relief:

A. An order that all Defendants' conduct violates the Colorado Consumer Protection Act, including, but not limited to, section 6-1-105(1)(e), 6-1-105(1)(i), and 6-1-105(1)(u);

B. An order pursuant to section 6-1-110(1) for an injunction or other orders or judgments against all Defendants;

C. An order pursuant to section 6-1-110(1) requiring all Defendants to disgorge all unjust proceeds to prevent unjust enrichment;

D. An order pursuant to section 6-1-110(1) against all Defendants which may be necessary to completely compensate or restore to their original position any persons injured by means of such deceptive practice;

E. An order pursuant to section 6-1-112(1)(a) against all Defendants for civil penalties of not more than two thousand dollars for each such violation of any provision of the Colorado Consumer Protection Act with respect to each consumer or transaction involved, not to exceed five hundred thousand dollars for any related series of violations;

F. An order pursuant to section 6-1-112(1)(c) against all Defendants for civil penalties of not more than ten thousand dollars for each violation of any provision of the Colorado Consumer Protection Act with respect to each elderly person;

G. An order pursuant to section 6-1-113(4) requiring all Defendants to pay the costs and attorney fees incurred by the Attorney General; and

H. Any such further relief as this Court may deem just and proper to effectuate the purposes of the Colorado Consumer Protection Act;

Respectfully submitted this 28th day of November 2016,

CYNTHIA H. COFFMAN
Attorney General

/s/ Erik R. Neusch

JENNIFER H. HUNT*
First Assistant Attorney General
ERIK R. NEUSCH*
Senior Assistant Attorney General
MARK L. BOEHMER*
Assistant Attorney General
Attorneys for Plaintiff
*Counsel of Record

Plaintiff's Address:
Ralph L. Carr Colorado Judicial Center
1300 Broadway
Denver, Colorado 80203